



COMMITTEE FOR PURCHASE FROM PEOPLE WHO ARE BLIND OR SEVERELY DISABLED

August 7, 1998

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PRICING MEMORANDUM NO. 2

SUBJECT: FAIR MARKET PRICES FOR PRODUCTS

1. PURPOSE

This memorandum prescribes the procedures for establishing Fair Market Prices (FMP) for products supplied to the Federal Government in accordance with the terms of the Javits-Wagner-O'Day (JWOD) Act (41 USC 46-48c). The policies in this memorandum apply to the legislative, judicial and executive branches of the Federal Government (including the United States Postal Service) and nonappropriated fund instrumentalities under the jurisdiction of the Armed Forces. This memorandum supersedes Pricing Memorandum No. 2, dated February 25, 1987; Pricing Memorandum No. 4 dated April 27, 1988; Pricing Memorandum No. 5 dated July 1, 1986; Pricing Memorandum No. 6 dated January 15, 1993; Pricing Memorandum No. 7 dated February 25, 1987; Pricing Memorandum No. 11 dated September 17, 1982; Pricing Memorandum No. 15 dated April 1, 1988; and Pricing Memorandum No. 18, dated October 16, 1989.

2. GENERAL

The provisions of this memorandum apply to the pricing of all products, including services priced as products, under the JWOD Program. Special product pricing procedures, including pricing of Military Resale items and subcontracting, will appear in new Pricing Memorandum No. 4 to be issued in the fall of 1998. Various technical procedures relating to product (and service) procedures are covered in new Pricing Memorandum No. 5, which will also appear in the fall of 1998. Unique situations or questions not addressed by this or other Committee Memoranda will be handled on a case by case basis.

The policies and procedures described below represent a shift in the Committee's product pricing approach from a relatively rigid formula-based system for most items to a more flexible system that encourages price negotiations between the contracting activity and the nonprofit agency. Reflecting the shift toward more flexibility, products will be priced f.o.b. destination or origin, depending upon the preference of the contracting activity.



3. INITIAL BASE PRICES

A. General

To develop an initial base price for proposed product additions to the Procurement List, the contracting activity and the nonprofit agency may--with one exception¹--utilize either a negotiation-based approach or a formula-based approach. The choice will usually reflect the mutual preference of the nonprofit agency and the contracting activity. However, during a phase-in period (which will conclude on September 30, 2000), nonprofit agencies will have the option of stipulating that initial base prices be established by formula-based procedures. Conversely, after the September 30, 2000 conclusion of the phase-in period, a negotiated approach will be used unless both parties agree to use the formula-based procedure.

As described below, regardless of which approach is used to establish an initial base price, the proposed addition must be accompanied by a multi-year pricing agreement (unless the contracting activity prefers one-year contracts, in which case a new base price will be negotiated prior to the next annual contract period). The pricing agreement will include an explanation of how the price will be adjusted during the multi-year period. Annual price revision options include, but are not limited to, the Committee's formula-based mechanisms that will be described in the new Pricing Memorandum No. 4, "Special Pricing Procedures": the concurrent buy procedure; the cost-based price change (CPC) procedure; the annual price change (APC) procedure, and the APC/CPC procedure.

Under either the formula-based or negotiation scenario, if an economic price adjustment (EPA) clause was used to adjust prices in the preceding commercial contract, the contracting activity will have the option of stipulating that a comparable clause will be incorporated into the JWOD price agreement. Such clauses may result in quarterly, biannual or any other agreed upon time period price changes.

The Committee retains the final authority to add products to the Procurement List and determine the initial base prices. In cases where a nonprofit agency and the contracting activity cannot agree on an initial base price,² the Committee staff will take comments from both sides and may propose an initial base price that is between five and ten percent above the previous award price (adjusted as appropriate). If that proposed price is acceptable to the nonprofit agency, the Committee will determine whether the item should be added to the Procurement List at that price. If the contracting activity still disagrees with the proposed price, it may submit additional comments to the Committee for consideration.

¹ The initial base prices for paper and plastic products that have annual values over \$1 million will be negotiated between the nonprofit agency and the contracting activity.

² During the phase-in period, agreement on the initial price is not necessary if the nonprofit agency elects to use the formula-based approach, although agreement on the method for revising that price during the multi-year price period will be required.

B. Initial Base Prices Using Negotiation

The contracting activity and the nonprofit agency, with the assistance of NIB or NISH, may use whatever information they deem appropriate to negotiate an initial base price, including such factors as:

- the initial base price generated by the formula-based system;
- the last competitive contract price and competitors' bids;
- changes in indices that track raw materials used to make the product;
- more generalized market research that surveys the prices and/or production costs of similar products, adjusted for standard retail margins and minor differences in product characteristics; and
- the nonprofit agency's costs

The NIB or NISH fee, as a cost of the JWOD Program, must be covered within the negotiated price (as it is in a formula-based price). In addition, all quality and value-related features of any product should be negotiated together with price as part of a single package, since they may impact costs.

Each initial base price agreement submitted to the Committee must include the written concurrence of the nonprofit agency and the contracting activity and specify:

- the initial base price;
- f.o.b. destination or origin;
- the term of the agreement (generally three to five years) and effective dates;
- the mechanism by which prices will be adjusted and/or actual prices for each year of the agreement; and
- all other mutually agreed upon items.

If the nonprofit agency and contracting activity cannot agree on a mechanism to adjust the price, the Committee staff will take comments from both sides and recommend a price adjustment mechanism to the Committee.

C. Initial Base Prices Using the Formula-Based Approach

When the formula-based approach is used to establish the initial base price and the nonprofit agency is the current contractor for 100 percent of the Government's requirement for the product, the initial base price shall be the award price³ increased by five percent. In all other cases, the initial base price for the product will be the greater of.

- the award price³, increased by five percent, or
- the median of those responsive/responsible bids/offers received on the most recent solicitation that are not more than 35 percent above the award price. However, any price using the median bid/offer shall not exceed the award price by more than 10 percent. This ceiling applies individually to each NSN, except in instances where the contracting activity and the nonprofit agency agree to apply it to a value-weighted average of related NSNs (i.e., different sizes of cut paper).

During the phase-in period, if the nonprofit agency elects to use the formula-based approach to establish the initial base price, the proposed fair market price will be provided concurrently to the Committee staff and to the contracting activity. When NIB or NISH submits an initial base price that has been developed using the formula-based approach, a copy of the related solicitation(s), unless already provided to the Committee, and record(s) of bids/offers [bid abstract(s)] annotated by the contracting activity must be submitted to the Committee. The proposed price will be provided in an f.o.b. destination format, and the nonprofit agency may also furnish an f.o.b. origin price. The contracting activity will decide which type it prefers and provide a statement indicating its preference to the Committee.

If specification changes or contract modifications have occurred since the last contract award that would result in a change in the price, the contracting activity and nonprofit agency must negotiate the price. This also applies to the phase-in period which ends on September 30, 2000.

Each formula-based initial base price submitted to the Committee must include an agreement between the nonprofit agency and the contracting activity indicating how the prices will be revised in the future. It is expected that such agreements will include:

- an agreed upon a three- to five-year pricing period (unless the contracting activity prefers a different time frame) and effective dates;

³ If multiple awards have been made for different destinations, the award price will be the weighted average award price for all destinations.

- the mechanism by which prices will be adjusted and/or actual prices for each year of the agreement and
- all other mutually agreed upon terms.

In the event the contract is only for one year, the initial pricing package should indicate that and note that a new base price will be established through negotiations to cover the next contract period.

D. NIB/NISH Processing

NIB or NISH is responsible for submitting proposed initial base prices and related material to the Committee.

(1) Negotiated Prices

When negotiation is used to develop an initial price for a product proposed for addition to the Procurement List, the Committee staff will review the material submitted and notify NIB or NISH if it does not include an acceptable written agreement by the nonprofit agency and the contracting activity concerning the initial base price, the terms of the agreement, and the price adjustment mechanism. If the material is satisfactory, the proposed price will be included in the decision package submitted to the Committee. If the material is not satisfactory, the Committee staff will advise NIB or NISH of the shortcomings (e.g., the price adjustment mechanism is not clearly explained). NIB or NISH will then request the additional required information from the nonprofit agency and the contracting activity and forward it to the Committee staff for review.

(2) Formula-Based Prices

When the formula-based approach has been used to develop an initial base price for a product proposed for addition to the Procurement List, the Committee staff will review the proposal for completeness and accuracy. If a correction is necessary, the revised price will be provided to NIB or NISH for transmittal to the nonprofit agency and, if appropriate, the contracting activity for review and acceptance prior to resubmission to the Committee.

In addition, the Committee staff will review the agreement submitted by the nonprofit agency and the contracting activity with regard to how prices will be adjusted. As indicated in D.(1), if the material does not clearly explain the price adjustment mechanism or is unsatisfactory in some way, the Committee staff will advise NIB or NISH of the shortcomings and await receipt of a corrected package.

E. Committee Forms

Nonprofit agencies through NIB or NISH must submit the following forms related to initial base prices derived from the approaches indicated below. Pricing should be received by the Committee no later than 90 days prior to the beginning of the new contract period.

<u>Form</u>	<u>Formula-Based</u>	<u>Negotiation</u>
PPF-1, Request for Fair Market Price Determination for Products	X	X
PPF-2, Cost Breakdown - Products	X	X
PPF-4, Bid Worksheet-Products	X	
PPF-5, Base Price Determination	X	

F. Committee Notice

Following a product's addition to the Procurement List, the Committee will issue a formal notice of the initial base price to the contracting activity and NIB or NISH. This notice will also incorporate a description of the mechanism for adjusting the price for a specified multi-year period or the actual price for each year of the agreement period. During the multi-year period, only those price revisions handled under the Committee's annual price change procedure will be routinely announced through Committee notices.

4. REVISED PRICES--BASE AND OTHER

A. General

The price of a product on the Procurement List will be revised based on a method agreed to by the nonprofit agency and the contracting activity. As noted above, such a price adjustment agreement must be in place at the time a product is proposed for addition to the Procurement List. In addition, at the end of each price agreement (normally a three- to five-year period), the fair market price will be reestablished by negotiations, which can include agreement to use one of the Committee's formula-based mechanisms.

Since all pricing periods will coincide with the contracting activity's contract period or allocation, prices will only be adjusted on the anniversary of the agreement, unless the price adjustment agreement calls for more frequent revisions, an interim adjustment has been agreed to by the contracting activity and the nonprofit agency, or the Committee determines that a specification change warrants a mid-term price revision.

B. Price Adjustments Within the Term of the Price Agreement

(1) General

As indicated in 3.B. and 3.C., the proposed initial base price for a product must be accompanied by documentation on how the price will be revised during the price agreement period or by actual prices for the entire period. The mechanism(s) selected to revise the price must be agreed to by the nonprofit agency and the contracting activity. Examples of possible mechanisms include: the Committee's annual price change procedure that uses Producer Price Indices (PPI), other indices of prices or costs, changes in published prices, percentage increases stated in the price agreement, the cost-based price change procedure, the APC/CPC procedure, the concurrent buy procedure, and other cost-based adjustments. Descriptions of the mechanisms developed by the Committee will appear in the new Pricing Memorandum No. 4.⁴ If the nonprofit agency and contracting activity cannot agree on a mechanism to adjust the price, the Committee staff will take comments from both sides and recommend a price adjustment mechanism to the Committee.

(2) Follow-On Year Prices

Prices for the follow-on years of the multi-year pricing period (or for the next quarter or six months for products using more frequent economic adjustment mechanisms) will be established in accordance with the terms of the agreement submitted to the Committee.⁵ The Committee expects these prices to be agreed upon by the contracting activity and nonprofit agency, with assistance from NIB or NISH as needed. Prior to the beginning of the next annual pricing period, NIB or NISH will obtain from the contracting activity and nonprofit agency the agreed upon revised price and transmit it to the Committee. Disagreements over such prices shall be resolved with the assistance of NIB or NISH if possible. Any follow-on year pricing impasses will be presented to the Committee for resolution by the staff or, if that fails, the full Committee. With the exception of price changes resulting from use of the Committee's annual price change procedure, the Committee will not normally publish price change notices for price revisions that take place during multi-year agreement periods.

(3) Mid-Term Price Revisions, Resulting From Specification Changes

If a specification change in the middle of a pricing period justifies revising the fair market price immediately, the nonprofit agency and the contracting activity, with the aid of NIB or NISH as necessary, will attempt to reach agreement on the new price. If agreement is reached, NIB or

⁴ Pricing Memorandum No. 4 is expected to be issued in the fall of 1998. Until it is published, parties should refer to former Pricing Memoranda Nos. 5 and 6 and Committee staff for guidance.

⁵ Other mutually acceptable procedures may be used, but if so, the Committee must be apprised of the changes and the parties' agreement.

NISH will provide the new price to the Committee. If agreement cannot be reached, even with the assistance of NIB or NISH, both parties will submit information supporting their respective positions to the Committee for a decision.

C. Reestablishment of the Base Price

A new base price will be reestablished at least once every five years or at the end of the price agreement, whichever is sooner. (However, for items that have not been bought recently or that won't be bought in the near future, it will not be necessary to reestablish a base price until the contracting activity is ready to buy again.) Like the initial base price, the new base price must be accompanied by a multi-year pricing agreement (if the contracting activity uses a multi-year contract). The prices will be established by negotiation, which can include agreement to use the concurrent buy procedure, the cost-based price change procedure, the annual price change procedure, or in the case of the follow-on year prices, the APC/CPC procedure. Since the price at the end of the previous price agreement period will also be a significant reference point, if both sides agree that the current price is acceptable, the existing price will become the new base price at the end of the previous pricing period.

When new base prices are negotiated, the procedure and basis will be much the same as for setting the initial base price. For items whose prices are being adjusted through the cost-based price change procedure, this process will include providing the contracting activity in advance the price that would result from using that procedure (unless the contracting activity indicates it has no interest in seeing that price). The repricing negotiations should generally be conducted using the contracting activity's timetable; however, they must be held sufficiently in advance to accommodate any impasse resolution. The actual freight and other delivery costs incurred by the nonprofit agency to supply under an f.o.b. destination format, as well as the Government bill of lading (GBL) costs, may be considered in reestablishing the base price.

D. NIB/NISH Processing

NIB or NISH is responsible for submitting proposed revised base prices and related material to the Committee.

(1) Negotiated Prices

When negotiation is used to develop a revised base price for a product, the Committee staff will review the material submitted and notify NIB or NISH if it does not include acceptable written agreement by the nonprofit agency and the contracting activity to the revised base price, the terms of the agreement, and the price adjustment mechanism. If the material is satisfactory, the proposed price will be approved by the Committee staff. If the material is not satisfactory, the Committee staff will advise NIB or NISH of the shortcomings (e.g., the price adjustment mechanism is not clearly explained). NIB or NISH will then request the additional required information from the nonprofit agency and/or the contracting activity and forward it to the Committee staff for a decision.

(2) Formula-Based Prices

When the contracting activity and nonprofit agency have agreed to use the formula-based approach to develop the revised base price for a product, the Committee staff will review the proposal for completeness and accuracy. If a correction is necessary, the corrected price will be provided to NIB or NISH for transmittal to the nonprofit agency and contracting activity involved for review and acceptance prior to resubmission to the Committee staff.

In addition, the Committee staff will review the material submitted with regard to how prices will be adjusted. As indicated in 3.D.(1), if the material does not clearly explain the price adjustment mechanism or is unsatisfactory in some way, the Committee staff will advise NIB or NISH of the shortcomings and await receipt of a corrected package.

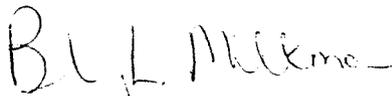
E. Committee Forms

Nonprofit agencies through NIB or NISH must submit the following forms related to revised base prices derived from the formula-based approach. If the new base price is negotiated, Form PPF-2, "Cost Breakdown - Products", must be submitted to the Committee along with a copy of a signed agreement between the nonprofit agency and the contracting activity.

<u>Form</u>	<u>Cost-Based Price Change</u>	<u>Concurrent Buy</u>	<u>Negotiations</u>
PPF-2, Cost Breakdown - Products	X		X
PPF-3, Request for Price Change for Products	X	X	
PPF-4, Bid Worksheet - Products		X	
PPF-5, Base Price Determination		X	
PPF-6, Concurrent Buy Cost Breakdown - Products		X	

F. Committee Notice

The Committee will issue a formal notice of the revised base price, including the effective date, to the contracting activity and NIB or NISH. This notice will also incorporate a description of the mechanism for adjusting the price for a specified multi-year period or the actual price for each year of the agreement period. During the multi-year agreement period, only those price revisions handled under the Committee's annual price change procedure will be routinely announced through Committee notices.



Beverly L. Milkman
Executive Director

Enclosures:

- PPF-1, Request for Fair Market Price Determination for Products and Instructions
- PPF-2, Cost Breakdown - Products and Instructions for Initial Price
(Instructions for Revised Price Under PR-4)
- PPF-3, Request for Price Change for Products (Instructions Under PR-4)
- PPF-4, Bid Worksheet - Products and Instructions
- PPF-5, Base Price Determination and Instructions
- PPF-6, Concurrent Buy Cost Breakdown - Products (Instructions under PR-4)

REQUEST FOR FAIR MARKET PRICE
DETERMINATION FOR PRODUCTS

ACTION GROUP NUMBER: _____

PRODUCT: _____

DATE: _____

NONPROFIT AGENCY: _____

NIB/NISH: _____

CONCURRENT BUY: NO YES

FOB: DESTINATION ORIGIN

A. NONPROFIT AGENCY CONTRACT PERIOD (IF KNOWN): _____

B. NSN(s) INITIAL BASE
PRICE _____

C. METHOD OF PRICE ADJUSTMENT DURING CONTRACT PERIOD _____

D. MOST RECENT BID DATA:

1. SOLICITATION NO: _____
2. DATE ISSUED: _____
3. DATE OPENED/CLOSED: _____
4. a. PERIOD COVERED: _____
b. DELIVERY PERIOD: _____
c. BASE DATE: _____
5. DATE OF AWARD: _____

REQUEST FOR FAIR MARKET PRICE DETERMINATION FOR PRODUCTS

- 2 -

E. QUOTATIONS FOR MATERIALS:

The nonprofit agency has obtained quotations including inbound freight costs for the following components with the results indicated below. **This information is privileged commercial information under the provision of 5 U.S.C. 552(b)(4) and is provided for the official use of Government agencies only in the evaluation of this request.**

<u>COMPONENT</u>	<u>SUPPLIER CONTACTED</u>	<u>DATE OF REPLY</u>	<u>RESULTS</u>
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F. COMMENTS:

G. A letter has been received from an Officer of the Board or the Executive Director/President/Chief Executive Officer of the nonprofit agency concurring in the initial base price(s) being requested and indicating that the nonprofit agency is willing to furnish the product at the initial base price(s).

H. This request is in accordance with the 1998 Fair Market Pricing Policy.

Signature

Name

Title

Enclosures: (Required for each price.)

PPF-2

PPF-4

PPF-5

NOTE: PPF-2 required for negotiation. All forms required for formula-based.

PPF-1 (8/98)

INSTRUCTIONS

REQUEST FOR FAIR MARKET PRICE DETERMINATION FOR PRODUCTS PPF-1

Complete the top of PPF-1 as indicated.

- A. Show beginning and ending dates of the nonprofit agency's contract period (if known).
- B. List the NSN(s). The "Initial Base Price" is the "Base Price" in the lower right box of PPF-5 (if applicable). All prices shown in this section shall be expressed in the number of decimal places specified for Procurement List prices. (Pricing Memorandum No. 5)
- C. Enter the method, if any, that will be used to adjust the price during the contract period. If the contract is not for a multi-year period or does not include an economic price adjustment clause there may not be any adjustment allowed to the price.
- D. Enter the data indicated, if price is based on bids. Under Line D.4., complete either Line D.4.a. or Line D.4.b. Use Line D.4.a. if the solicitation was for an indefinite quantity covered by a requirements contract and show beginning and ending dates of the contract period. Otherwise, complete Line D.4.b. for a definite quantity contract by indicating the dates of first and last deliveries. Line D.4.c. enter as "Base Date," expressed as month and year, the date of the end of the period covered by a requirements contract (last date on Line D.4.a.) or the date of the last delivery (last date on Line D.4.b.) depending on the type of procurement.
- E. Normally, show at least three actual quotations including inbound freight costs for each of the major components which, when taken together, constitute at least 80 percent of the material costs. The quotations should have been obtained as close as possible; but, not more than three months prior to the date of NIB/NISH request. As an exception for the high volatile products, quotations should have been obtained within the 45-day period of the request. If the nonprofit agency is unable to obtain three actual quotations, obtain at least two at the minimum unless there is only a sole source provider, which must be documented. Explain any case where the lowest quotation is not used as the basis for developing Material Costs on the PPF-2. As a minimum, quotations must be requested from the firms that submitted quotations on the last Price Change.
- F. Under "Comments" include a description of any changes made in the specification or contract modifications that have occurred since the last contract award, which affect the price(s) of the product. Form PPF-2(s) should show the adjustments of base price(s) to reflect such changes in specification or contract modifications that the contracting activity and nonprofit agency have negotiated.

COST BREAKDOWN - PRODUCTS

PRODUCT: _____
 NSN: _____
 NONPROFIT AGENCY: _____

ACTION GROUP NUMBER: _____
 DATE: _____
 NIB/NISH: _____

(1)	(1a)	(1b)	(1c)	(1d)	(2)	(3)	(4)	(5)
DESCRIPTION	(BASE DATE)				OLD ()	REV.	NEW ()	% CHANGE
1. <u>MATERIAL COST</u>	<u>MTL</u>	<u>QUANTITY REQUIRED</u>						
a.	<u>UNIT</u>	<u>OLD</u>	<u>REV</u>	<u>NEW</u>				
b.								
c.								
d.								
e.								
f.								
g.								
h.								
i.								
j.								
k. OTHER MATERIAL								
SUBTOTAL MATERIAL COST								
MANUFACTURING LOSS _____ % OF SUBTOTAL								
TOTAL MATERIAL COST								
2. <u>DIRECT LABOR COST</u>				HOURS>				
AVERAGE NONPROFIT AGENCY WAGE:		OLD \$ _____/HR.						
		NEW \$ _____/HR.						
3. <u>BURDEN COST</u>								
4. <u>TOTAL MANUFACTURING COST</u> (DIVIDE BY .96 TO OBTAIN FOB ORIGIN PRICE)								
5. <u>FOB ORIGIN PRICE</u>	a. Cost Unit: _____							
	b. P.L. Unit: _____							
6. <u>FREIGHT</u>								
7. <u>FOB DESTINATION PRICE</u>	P.L. Unit: _____							
8. <u>BASE PRICE</u>								
	EFFECTIVE DATE: _____							

INSTRUCTIONS

COST BREAKDOWN - PRODUCTS PPF-2

USE OF THE FORM -- INITIAL PRICE

A. Complete the top of PPF-2 as indicated.

B. Only column (4), (NEW) needs to be filled out.

1. MATERIAL COST. Enter the value of each major raw material or component of the item by applying the new material cost to each unit of production. Miscellaneous items such as thread, buttons, nuts and bolts, or minor packaging materials which cumulatively do not exceed 20 percent of the total cost of materials may be lumped together as "Other Material."

Show "Manufacturing Loss" (losses, errors, and defects), if any, as the last cost element under material cost. Manufacturing loss exceeding five percent of material cost must be justified. Losses, errors, and defects are separate from and in addition to "scrap" resulting from subdividing material procured in bulk.

2. DIRECT LABOR COST. The "Average Nonprofit Agency Wage" is the weighted average of the various wages for each of the operations used in producing the product. By law, if commensurate wages are being paid, it is based on prevailing industry wages for comparable operations. If commensurate wages are not being paid it must be at least the minimum wage.

3. BURDEN COST. Burden is the sum of all other costs involved in manufacturing the item. If bids are used to determine the price, the burden will be the difference between the formula-based price and the total material cost plus the direct labor cost.

4. TOTAL MANUFACTURING COST. This is the sum of Lines 1., 2., and 3.

5. FOB ORIGIN PRICE. This is the "Total Manufacturing Cost" divided by .96, to account for the CNA fee. If the contracting activity has agreed to an f.o.b. origin price then this will also be the "Base Price" on Line 8.

6. FREIGHT. If the item is to be priced f.o.b. destination enter the nonprofit agency's cost of shipping the item.

7. FOB DESTINATION PRICE. If the contracting activity has agreed to an f.o.b. destination price then this will be the "Base Price" on Line 8.

COST BREAKDOWN - PRODUCTS (Initial Price)

- 2 -

8. BASE PRICE. Enter either Line 5.b. "FOB Origin Price" or Line 7. "FOB Destination Price." Under "Effective Date" enter the beginning and ending dates of the nonprofit agency's contract period for which the new base price applies.

All values on Lines 5.b., 7. and 8. shall be expressed in the number of decimal places specified for Procurement List prices. (Pricing Memorandum No. 5)

NOTE: For FOB Destination pricing, deduct the nonprofit agency's cost of shipping the item from the "Destination Price" to arrive at an "FOB Origin Price" which would then be used to calculate the NIB or NISH fee.

REQUEST FOR PRICE CHANGE
FOR PRODUCTS

ACTION GROUP NUMBER: _____

PRODUCT: _____

DATE: _____

NONPROFIT AGENCY: _____

NIB/NISH: _____

CONCURRENT BUY: NO YES

FOB: DESTINATION ORIGIN:

A. THE OLD BASE PRICE _____
MONTH/YEAR

B. NEW CONTRACT PERIOD _____

C. <u>NSN</u>	<u>OLD BASE PRICE</u>	<u>PRESENT PRICE</u>	<u>NEW BASE PRICE</u>
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D. METHOD OF PRICE ADJUSTMENT DURING NEXT CONTRACT PERIOD: _____

REQUEST FOR PRICE CHANGE FOR PRODUCTS

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E. CHANGES IN NONPROFIT AGENCY WAGES

1. STANDARD INDUSTRY CODE _____

2. INDUSTRY WAGE

a. MOST RECENT MO/YR _____ WAGE \$ _____

b. NUMBER OF MONTHS _____

c. OLD MO/YR _____ WAGE \$ _____

3. OLD AVERAGE NONPROFIT AGENCY WAGE: \$ _____

4. DETERMINATION OF NEW AVERAGE NONPROFIT AGENCY WAGE
(include complete computation)

5. NEW AVERAGE NONPROFIT AGENCY WAGE \$ _____

F. CHANGE IN MATERIAL COSTS (Including inbound freight costs)

<u>COMPONENT</u>	<u>UNIT</u>	<u>OLD COST</u>	<u>NEW COST</u>	<u>% CHANGE</u>
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REQUEST FOR PRICE CHANGE FOR PRODUCTS

G. QUOTATIONS FOR MATERIALS:

The nonprofit agency has obtained quotations including inbound freight costs for the following components with the results indicated below. **This information is privileged commercial information under the provision of 5 U.S.C. 552(b)(4) and is provided for the official use of Government agencies only in the evaluation of this request.**

<u>COMPONENT</u>	<u>SUPPLIER CONTACTED</u>	<u>DATE OF REPLY</u>	<u>RESULTS</u>
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H. CHANGES IN BURDEN:

I. COMMENTS:

J. A letter has been received from an Officer of the Board or the Executive Director/President/Chief Executive Officer for the nonprofit agency concurring in the new base price(s) being requested indicating that the nonprofit agency is willing to furnish the product at the new base price(s).

K. This request is in accordance with the 1998 Fair Market Pricing Policy.

Signature

Name

Title

NOTE: Each price requires a set of relevant forms. Form requirements are as follows:

Negotiations	Cost-Based	Concurrent Buy
PPF-2	Price Change	
	PPF-2	PPF-3
	PPF-3	PPF-4
		PPF-5
		PPF-6

PPF-3 (8/98)

INSTRUCTIONS

BID WORKSHEET - PRODUCTS PPF-4

1. Column (1). List "Destinations" to which the product will be shipped in column (1) and show the "Quantity" for each destination immediately below the name of the destination.

2. Columns (2) - (8).
 - a. In heading in columns (2) through (8), enter the name of each "Bidder/Offeror" and discount "Terms" offered (if applicable).

 - b. For each bidder/offeror and destination show the bid/offer.

 - c. Nonresponsive or nonresponsible bids/offers will not be recorded on this form.

 - d. Circle the "Award Bid/Offer" for each destination.

 - e. Draw a diagonal line through any bid/offer which is more than 135% of award bid/offer for that destination.

 - f. If there are more than seven bidders/offerors, cut this form on the line between columns (8) and (9) and continue listing bidders/offerors on another full page.

3. Column (9). For each destination:
 - a. Enter the "Median Bid/Offer" on the upper line of column (9). If there are an even number of bids/offers which are not more than 135% of award price, enter the average of the two middle bids/offers on the upper line of column (9).

 - b. Enter the "Award Bid/Offer" on the upper line of column (10).

 - c. The Median Bid/Offer and Award Bid/Offer entered in columns (9) and (10) respectively shall be shown to the same number of decimal places as used for the bids/offers in columns (2) through (8).

4. Column (10). For each destination:
 - a. Multiply the "Median Bid/Offer" by the quantity for that destination shown in column (1) to obtain the "Median Value." Enter the result, rounded to the nearest dollar, on the lower line of column (9).

BID WORKSHEET - PRODUCTS

- 2 -

b. Multiply the "Award Bid/Offer" by the quantity for that destination shown in column (1) to obtain the "Award Value." Enter the result, rounded to the nearest dollar, on the lower line of column (10).

5. Totals. On the bottom line, show the "Total Quantity" for column (1), and the "Total Values" for columns (9) and (10). Transfer these totals to the appropriate lines in the center box on the bottom of PPF-5.

BASE PRICE DETERMINATION

ACTION GROUP NUMBER: _____

PRODUCT: _____ SOLICITATION NO: _____ NIB/NISH: _____

NSN: _____ DATE: _____

NONPROFIT AGENCY: _____

(1)	(2)	(3)	(4)	(5)	(6)	(7)
NONPROFIT AGENCY LOCATION	DESTINATION	QUANTITY NONPROFIT AGENCY PROVIDES	UNIT SHIPPING WEIGHT LBS.	TOTAL SHIPPING WEIGHT	FREIGHT RATE	FREIGHT COST
TOTAL					TOTAL	

<p><u>WEIGHTED AVERAGE FREIGHT</u> (FROM ABOVE)</p> <p>TOTAL FREIGHT COST \$ _____ DIVIDED BY</p> <p>TOTAL AGENCY QTY. _____</p> <p>WEIGHTED AVERAGE FREIGHT \$ _____</p>	<p><u>WEIGHTED AVERAGE OF BIDS/OFFERS</u> (FROM PPF-4)</p> <table style="width: 100%;"> <tr> <td style="width: 50%;"></td> <td style="text-align: center;">MEDIAN</td> <td style="text-align: center;">AWARD</td> </tr> <tr> <td>TOTAL VALUE \$ _____ DIVIDED BY</td> <td>\$ _____</td> <td>\$ _____</td> </tr> <tr> <td>TOTAL QTY. _____</td> <td>_____</td> <td>_____</td> </tr> <tr> <td>WEIGHTED AVERAGE VALUE \$ _____</td> <td>\$ _____</td> <td>\$ _____</td> </tr> </table>		MEDIAN	AWARD	TOTAL VALUE \$ _____ DIVIDED BY	\$ _____	\$ _____	TOTAL QTY. _____	_____	_____	WEIGHTED AVERAGE VALUE \$ _____	\$ _____	\$ _____	<p><u>BASE PRICE</u></p> <table style="width: 100%;"> <tr> <td style="width: 70%;"></td> <td style="text-align: center;"><u>MEDIAN</u></td> <td style="text-align: center;"><u>AWARD</u></td> </tr> <tr> <td>WEIGHTED AVERAGE VALUE MINUS WEIGHTED AVERAGE FREIGHT</td> <td>\$ _____</td> <td>\$ _____</td> </tr> <tr> <td>LESSER OF AWARD * 110%, OR MEDIAN</td> <td>\$ _____ *</td> <td>\$ _____ *</td> </tr> <tr> <td>AWARD * 105%</td> <td></td> <td>\$ _____ *</td> </tr> </table> <p>BASE PRICE \$ _____ FOB _____</p> <p>(* ENTER THE GREATER OF THESE TWO VALUES, ALSO ENTER ON PPF-1, PPF-2 AND PPF-6)</p>		<u>MEDIAN</u>	<u>AWARD</u>	WEIGHTED AVERAGE VALUE MINUS WEIGHTED AVERAGE FREIGHT	\$ _____	\$ _____	LESSER OF AWARD * 110%, OR MEDIAN	\$ _____ *	\$ _____ *	AWARD * 105%		\$ _____ *
	MEDIAN	AWARD																								
TOTAL VALUE \$ _____ DIVIDED BY	\$ _____	\$ _____																								
TOTAL QTY. _____	_____	_____																								
WEIGHTED AVERAGE VALUE \$ _____	\$ _____	\$ _____																								
	<u>MEDIAN</u>	<u>AWARD</u>																								
WEIGHTED AVERAGE VALUE MINUS WEIGHTED AVERAGE FREIGHT	\$ _____	\$ _____																								
LESSER OF AWARD * 110%, OR MEDIAN	\$ _____ *	\$ _____ *																								
AWARD * 105%		\$ _____ *																								

INSTRUCTIONS

BASE PRICE DETERMINATION PPF-5

Complete the top of the PPF-5 as indicated.

1. Under column (1) list each "Nonprofit Agency Location" which will produce the product. When a nonprofit agency serves several destinations, list the nonprofit agency on only the first line of the destinations it will serve.
2. Under column (2) list the "Destination" which the nonprofit agency(ies) will serve, grouped by nonprofit agency location.
3. In column (3) show the annual "Quantity" which will be shipped by the nonprofit agency(ies) to each of the destinations in column (2). If a forecast of requirements by destination is not available, use the data for the current year.
4. In column (4) enter on the top line only the "Unit Shipping Weight" of the product in pounds (lbs.).
5. In column (5) enter the "Total Shipping Weight" rounded to the nearest pound. This is the product of values shown in columns (3) and (4).
6. Enter the "Freight Rate" in column (6). This is usually expressed as dollars/100 pounds.
7. Enter in column (7) the "Freight Cost" rounded to the nearest dollar. This is the product of the values shown in columns (5) and (6) divided by 100.
8. Enter the sum of the values in columns (3) and (7) at the bottom of each column opposite "Total."
9. Complete the three boxes at the bottom of the page.
10. Under "Base Price" enter the greater of the two values marked with an asterisk (*) and enter either "FOB" Destination or Origin. (NOTE: Use the "Minus Weighted Average Freight" line for FOB Origin pricing only.) This is the "Base Price" which is entered as "Initial Base Price" on PPF-1 and as "Base Price" on either Line 5.b. or 7., column (4) on PPF-2 or column (5) on PPF-6 for a concurrent buy. The two values marked with an asterisk (*) shall be expressed in the number of decimal places specified for Procurement List prices. (Pricing Memorandum No. 5)

NOTE: For FOB Destination pricing, deduct the nonprofit agency's cost of shipping the item from the "Destination Price" to arrive at an "FOB Origin Price" which would then be used to calculate the NIB or NISH fee.

CONCURRENT BUY COST BREAKDOWN - PRODUCTS

PRODUCT: _____

ACTION GROUP NUMBER: _____

NSN: _____

DATE: _____

NONPROFIT AGENCY: _____

NIB/NISH: _____

(1)	(1a)	(1b)	(1c)	(1d)	(2)	(3)	(4)	(5)	(6)
DESCRIPTION	(BASE DATE)				OLD ()	REV	NEW ()	BIDS PPF-5	NEW ()
1. <u>MATERIAL COST</u>	<u>MTL</u>	<u>QUANTITY REQUIRED</u>							
a.	<u>UNIT</u>	<u>OLD</u>	<u>NEW</u>	<u>REV</u>					
b.									
c.									
d.									
e.									
f.									
g.									
h.									
i.									
j.									
k. OTHER MATERIAL									
SUBTOTAL MATERIAL COST									
MANUFACTURING LOSS _____ % OF SUBTOTAL									
TOTAL MATERIAL COST									
2. <u>DIRECT LABOR COST</u>				HOURS >					
AVERAGE NONPROFIT AGENCY WAGE:	OLD \$ _____	/HR.							
	NEW \$ _____	/HR.							
3. <u>BURDEN COST</u>									
4. <u>TOTAL MANUFACTURING COST</u> (DIVIDE BY .96 TO OBTAIN FOB ORIGIN PRICE)									
5. <u>FOB ORIGIN PRICE</u>	a. Cost Unit: _____								
	b. P. L. Unit: _____								
6. <u>FREIGHT</u>									
7. <u>FOB DESTINATION PRICE</u>	P. L. Unit: _____								
8. <u>BASE PRICE</u>	EFFECTIVE DATE: _____								

MOST RECENT BID DATA:

1. SOLICITATION NO: _____
2. DATE ISSUED: _____
3. a. PERIOD COVERED: _____
- b. DELIVERY PERIOD: _____
- c. BASE DATE: _____
4. DATE OF AWARD: _____

DATE OPENED/CLOSED: _____